HUMAN RESOURCE MANAGEMENT (2.3)

(Chapter 12 - AS level 2.3)

Human resource management (HRM) is the division in a business that aims to deliver the effective management of an organisation's workers so that they help the business gain a competitive advantage. The human resources function of a business is responsible for all staff-related issues.

Roles of HRM

- **Recruitment and selection** - attracting and selecting the best candidates for job posts
- **Wages and salaries** - set wages and salaries that attract and retain employees as well as motivate them - they also decide on which pay system to use (piece rate, salary etc.)
- **Employee relations** - there must be effective communication between management and workforce to solve complaints and disputes as well as discussing ideas and suggestions
- **Training programmes** - give employees training to increase their productivity/efficiency
- **Health and safety** - make sure all laws on health and safety conditions are followed
- **Redundancy and dismissal** - the managers should dismiss any unsatisfactory or misbehaving employees or make them redundant if they are no longer needed by the business.
- **Employment contracts** - preparing contracts of employment for all employees and deciding on how flexible these should be: permanent or temporary, full- or part-time
- **Monitoring** - measure and monitor staff's performance, by doing **workforce audits -** a check on the skills and qualifications of employees and managers
- **Workforce planning** - analysing and forecasting the numbers of workers and the skills of those workers that will be required by an organisation to achieve its objectives
- **Keeping up staff welfare and moral** - making sure staff are motivated and happy

Methods of recruitment

Recruitment and selection will be necessary when :
■ the business is expanding and needs a bigger workforce
■ employees leave and they need to be replaced – this is called labour turnover.

Recruitment is the process of identifying the need for a new employee, defining the job to be filled and the type of person needed to fill it and attracting suitable candidates**.**
There are two types of recruitment : **internal** and **external**

Internal recruitment

Internal recruitment is when a vacancy is filled by an existing employee of the business.
Advantages :
✔ Saves time and money - no need for advertising and interviewing
✔ Person already known to business - so they won't need as much training (less costs)
✔ Can be motivating to employees if there are opportunities for promotion
✔ Often quicker than external recruitment

Disadvantages :
✖ No new skills and experience coming into the business
✖ Potential jealousy amongst workforce
✖ Choice is limited

External recruitment

External recruitment is when a vacancy is filled by someone who is not an existing employee and will be new to the business. External recruitment needs to be advertised, unlike internal recruitment. This can be done online, using local/national newspapers, specialist magazines and journals, job centres run by the government (where job vacancies are posted and given to interested people; usually for unskilled or semi-skilled jobs) or even recruitment agencies (who will recruit and send along candidates to the company when they request it).

Advantages :
✔ External applicants will bring in new ideas and practices to the business
✔ There is a wider choice of applicants

✔ Avoids resentment felt by existing staff if one of their coworkers is promoted over them
✔ External candidates could be better qualified

Disadvantages :
✖ Costs of having to advertise
✖ The firm may not select someone who is able to fit well with the job and organisation
✖ May be additional costs of having to train the new employees
✖ Can take a long time to find the correct choice, and may take a longer time for them to adjust
✖ Existing employees may not like the fact that an outsider was given the job over them (really no pleasing these people.)

The recruitment process

The recruitment and selection process involves several steps :

1. **Understand the vacant job and create a job description** - this outlines the responsibilities and duties to be carried out by someone employed to do the job

2. **Draw up a person specification** - a document that outlines the requirements, qualifications, expertise, skills, physical/personal characteristics etc. required by an employee

3. **Prepare a job advertisement -** the business needs to decide what should be included in the advertisement, where it should be advertised, how much it will cost and whether it will be cost-effective (newspaper ad? Tv ad? Recruitment agency? Online ads?)

4. **Create a shortlist of the applicants -** the business will go through multiple submitted *CV's*, and determine a list of individuals who most match the job specification

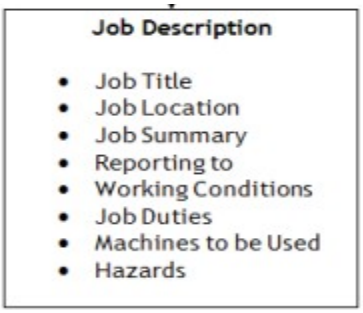
5. **Selecting between the applicants** - most commonly done through interviews, applicants who are shortlisted will be interviewed by the H.R. manager or department manager. Interviews will allow the HR manager to assess the applicant's ability to do the job, their personal qualities, and their character and personality

Job description

A job description is a detailed list of the key points about the job - stating all its key tasks and responsibilities.
It will have information about the conditions of employment (salary, working hours, and pension scheme), training offered, opportunities for promotion etc. This is given to all prospective candidates so they know what exactly they will be required and expected to do.

Person/job specifications

Person specification is a detailed list of the qualities, skills and qualifications that a successful applicant will need to have.
The person specification is like a 'person profile' and will help in the selection process by eliminating applicants who do not match up to the necessary requirements



(Additional info)

- When a person is interested in a job, they should apply for it by sending in a **curriculum vitae (CV) or resume**, this will detail the person's qualifications, experience, qualities and skills.The business will use these to see which candidates match the job specification. It will also include statements of why the candidate wants the job and why they feel they would be suitable for the job. Also possibly a reference.

- In addition to interviews, firms can conduct certain tests to select the best candidate. This could include skills tests (ability to do the job), aptitude tests (candidate's potential to gain additional skills), personality tests (what kind of a personality the candidate has- will it be suitable for the job?), group situation tests (how they manage and work in teams) etc.

- When a successful candidate has been selected the others must be sent a letter of rejection.

Employment contracts

The contract of employment is a legal agreement between the employer and the employee listing the rights and their job responsibilities**.** It will include:

- the name of employer and employee
- job title
- date when employment will begin
- hours to work
- rate of pay and other benefits
- when payment is made
- holiday entitlement
- the amount of notice to be given to terminate the employment that the employer or employee must give to end the employment etc.

Labour turnover

Labour turnover measures the rate at which employees are leaving an organisation.

Having a high labour turnover can show employee discontent / low morale / mgt. issues. It leads to increased costs of having to recruit, select and train new staff. Although it can also allow for new ideas and practices to be brought in via new employees. It is calculated by this formula :

$$\frac{\text{Number of employees leaving during period}}{\text{Average number employed during period}} \times 100$$

Difference

Dismissal is of their own**.** It could result from the employee being unable to do the job to the standard that the organisation requires or it may also be that the employee has broken one of the rules of employment.

Unfair dismissal is when a worker's employment contract is ended for a reason that the law regards as unfair. An employee who is unfairly dismissed may be able to pursue legal action against the business and receive financial compensation if they win the case.

The situations in which dismissal can be considered unfair or in breach of employment law are as follows :

- pregnancy
- a discriminatory reason, e.g. the race, gender or religion of a worker
- being a member of a union
- a non-relevant criminal record – if the employer has previously been unaware of a criminal record, it is not a reason for dismissal unless it is

central to the job, e.g. a cashier convicted of stealing from the till or a schoolteacher convicted of child abuse

An **industrial tribunal** is a legal meeting which considers workers' complaints of unfair dismissal or discrimination at work. This will hear both sides of the case and may give the worker compensation if the dismissal was unfair.

Redundancy is when an employee is let go through no fault of their own, usually when their job is no longer required**.**

Reasons why a business may have to make their employees redundant include :

- Introduction of automation
- Falling demand for their products
- Factory/shop/office closure
- Relocating factory abroad
- A business has merged or been taken over and some jobs are no longer needed

Policies for diversity and equality

Most organisations have policies which try to ensure **equality** and **diversity** in the workforce.
Businesses that promote equality in the workplace do not base recruitment and dismissal, decisions, pay, promotions on employees' race, sexuality, gender, age or religion.

Promoting diversity and equality can help improve a business's working environment.

Training employees

Training is important to a business as it will improve the worker's skills and knowledge and help the business be more efficient and productive, especially when new processes and products are introduced. It will improve the workers' chances at getting promoted and raise their morale.

There are three main types of training :

1. **On the job training**
2. **Off the job training**
3. **Induction training**

1. On the job training

On-the-job training occurs by watching a more experienced worker doing the job. This is often overseen either by the HR managers or departmental training officers.

Advantages :
✔ It ensures there is some production from worker whilst they are training
✔ It usually costs less than off-the-job training
✔ It is training to the specific needs of the business
✔ Easily controlled by the business

Disadvantages :
✖ The trainer will lose some production time as they are taking some time to teach the new employee
✖ The trainer may have bad habits that can be passed onto the trainee
✖ It may not necessarily be recognised training qualifications outside the business

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2. Off the job training

Off-the-job training involves being trained away from the workplace, usually by specialist trainers. Usually done by universities or training centres in hotels. (employees like this!)

Advantages :
✔ Employees feel highly valued as a lot of effort and $$$ is put into training them
✔ Employees may be taught a variety of skills and they may become multi-skilled that can allow them to do various jobs in the company that no one else can

Disadvantages :
✖ Costs are high
✖ It means wages are paid but no work is being done by the worker
✖ The additional qualifications means it is easier for the employee to leave and find another job

3. Induction training

Induction training is an introduction given to a new employee, explaining the firm's activities, customs and procedures and introducing them to their fellow workers.

Advantages :
✔ Helps new employees to settle into their job quickly

✔ May be a legal requirement to give health and safety training before the start of work
✔ Less likely to make mistakes

Disadvantages :
✖ Can be time-consuming
✖ Wages still have to be paid during training, even though they aren't working
✖ Delays the state of the employee starting the job

Additional info related to training :

Employee appraisal is the process of assessing the effectiveness of an employee judged based on how they handled assigned objectives. It is a sort of form of training and allows managers to yearly asses their employees capabilities.

(Chapter 13 - A Level 2.3)

Approaches to HRM

Some business analysts believe there are two extreme types of human resource management : **soft HRM** and **hard HRM**.

Soft HRM

An approach to managing staff that focuses on developing staff so that they reach self-fulfilment and are motivated to work hard and stay with the business.
Soft HRM aims to implement the motivation theories (Maslow, Mayo and Herzeberg)

Advantages :
✔ High levels of employee participation due to higher motivation
✔ Greater commitment and loyalty from staff
✔ Employees are more productive

Disadvantages :
✖ Increased cost for the development of skills, training, wage increases etc...
✖ Potential delayed decision-making when asking for the opinions of employees

Hard HRM

An approach to managing staff that focuses on cutting costs, e.g. temporary and part-time employment contracts, offering maximum flexibility but with minimum training costs.

Hard HRM does not implement any motivation theories. Employees are treated similarly to materials/equipment, this can be highly demotivating.

Advantages :
✔ Staff are well monitored
✔ Costs are minimised
✔ Business has more control over employees

Disadvantages :
✖ Demotivated workers with little job security might be unproductive and this could reduce company efficiency and profitability
✖ May lead to bad publicity due to mistreatment of workers (Think - Amazon and Bezos)

Employment contracts - Full time, part time, permanent or temporary

There are several ways a business can manage its workforce, with different degrees of flexibility. The different forms of an employment contract can be :

- **Full time** employment contract
- **Part-time** employment contract
- **Temporary** employment contract
- **Flexi-time** employment contract
- **Zero hours** employment contract

Full-time employment

Full-time employment will usually see employees work 35 hours or more a week, it provides workers with job security, but is more expensive for the business.

Advantages :
✔ Better benefits for workers such as health insurance, paid leave etc.
✔ Staff are more committed to business (more likely to do overtime, additional work)
✔ Gives workers the possibility of promotion, this can be motivating
✔ Full-time employees (like salaried positions) work more hours, so they earn more money
✔ Easier to communicate with staff as they are there most of the time
✔ Reduces need to constantly replace employees (this reduces some costs)

Disadvantages :
✖ Can be costly to the business (due to having to pay more money in salaries + benefit costs)

✖ Not very flexible, workers may not want to work certain hours that are outside of their contractual obligation (as opposed to part time employment, who will work when convenient)

Part-time employment

Part-time employment is often considered to be between 1 and 30-35 hours, it's more affordable for the business, as they only have to pay employees for the hours they've worked.

Advantages :
✔ Workers work more flexible hours, ideal for people who need a flexible schedule
✔ Less expensive for business, as workers are only paid for the hours they work
✔ Easier for workers to gain experience which helps them find a permanent job
✔ Staff are available to be called upon if someone is sick or doesn't show up

Disadvantages :
✖ Less likely to be committed because the workers see the job as temporary
✖ Takes longer to recruit two part-time workers than one full-time worker (also cost of job ads)
✖ Probably won't be as well trained as a full time employee
✖ More difficult to communicate with part-time workers as they are not there as often
✖ Less opportunities for workers to be promoted, decreasing incentive to work harder

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Temporary employment contract

Temporary employment contract is an employment contract that lasts for a fixed time period, e.g. six months. Benefits and disadvantages are similar to part-time employment - gives business and employees more flexibility, but no job security for employees so employees can be less motivated and less committed to business.

Flexi-time schedule

Flexi-time contract is an employment contract that allows staff to be called in at times most convenient to employers and employees, e.g. at busy times of day. Employees will have greater freedom, and businesses costs will be reduced as they only have to pay employees when they need them to work.

Zero hours contract

Zero hours contract is a contract in which there is no obligation on the employer to offer work, nor on the employee to accept work. Workers will usually accept a job with this kind of contract as a placeholder while they search for something more permanent.
Very flexible for both workers and the business, cost-effective as no added benefits to be paid for, but not an assured form of income for workers and employers have no guarantee that workers will work when they need them to.
Additional info :

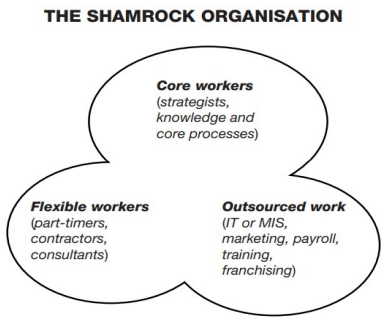
Teleworking - when staff work from home but keep contact with the office using technology

Outsourcing staff - not employing staff directly, but using an outside agency or organisation to carry out some business functions. This could allow for the chance to hire more skilled workers but add to costs

Handy's shamrock organisation

Charles Handy suggested that a successful organisation will have 3 types of workforce, interconnected. These three types of workforce ar

- c**ore managerial and technical staff** - who must be offe full-time, permanent contracts with competitive salaries and benefits
- **outsourced functions** - by independent providers, who m once have been employed by the company
- **flexible workers -** on temporary and part-time contracts, are called on when the situation demands their labour



Measuring employee performance

The consequences of poor workforce performance can be damaging to a business (reduce quality, increase wastage, i.e **add to costs**). It is therefore important to be able to measure workforce performance so they know when improvements need to be made.

Ways that employee performance can be measured are :

- **Labour productivity** - the amount of output produced per worker in a given time period

- **Absenteeism** - the amount of days employees are absent without authorisation in comparison to the total number of days they're meant to work
- **Labour turnover** - the amount of workers that leave/quit from a business in a given period of time
- **Customer complaint rates** - the amount of complaints received compared to the amount of goods/services sold
- **Wastage levels** - number of wasted or damaged goods compared to total amount made

$$\frac{\text{number of employees leaving in 1 year}}{\text{average number of people employed}} \times 100$$

(**Labour turnover formula**)

$$\text{absenteeism (\%)} = \frac{\text{no. of employees absent}}{\text{total no. of employees}} \times 100$$

(Absenteeism formula)

$$\frac{\text{total output in time period, e.g. one year}}{\text{total workers employed}}$$

(Labour productivity formula)

Potential reasons for poor employee performance :

- Employees lack the right amount of knowledge, skill and ability (may be undertrained)
- Employees lack the motivation to put enough effort in
- Lack of resources or adequate machinery
- Poor management

Strategies to improve employee performance

Once a business recognises that employee performance needs to be improved, there are multiple methods to go about doing so.

Methods include :

- ★ **Regular performance appraisal** - where targets are set for employees to achieve and managers then monitor how they do. If an employee fails to reach a target then management must decide whether they need to be disciplined / further trained / let go
- ★ **Training** - this will increase efficiency and perhaps the motivation of employees
- ★ **Quality circles** - small group of workers come together to brainstorm ideas and work out ways to solve business issues
- ★ **Cell production and autonomous work groups -** where teams of workers are given multi skill training and the opportunity to take responsibility for a complete section of work, this should increase teamwork
- ★ **Financial incentives** - offer up bonuses for hard work or give employees a share in the business so they will work hard to achieve more profit
- ★ **Adopting a system of management by objectives** - ↴

Management by objectives (MBO)

Management by Objectives (MBO) is an approach adopted by managers to control their employees by implementing a series of goals that both the employee and the organisation aim to accomplish.

It works by dividing the organisation's overall aim into specific targets for each division, department and individual. For example - In the case of a call centre, an MBO could be to increase customer satisfaction, say, by 10%, while reducing call times by one minute. This is decided by management, and relayed onto the call centre employees who now must find ways to achieve this goal. Employees are then monitored and

Potential ben

✔ Managers ar their particular work will lead t

✔ It is a form of job enrichment - well informed employees will be well motivated!

✔ Managers are able to monitor everyone's performance and measure success or failure against the objectives set and how well they were achieved

Potential limitations of MBO :

✖ The process of dividing corporate objectives into divisional, departmental and individual targets can be very time consuming

✖ Objectives can become outdated very quickly, difficult to keep constantly changing objectives (if there's a recession, new competitor etc.)

✖ Setting targets does not guarantee success - also need adequately trained staff + equipment

Labour legislation

All governments have passed laws to control working conditions and the relationship between employer and employee. These are collectively called 'labour laws' or 'labour legislation'. The severity of these laws and the strictness in which they are enforced all depends on the country. Labour laws act as a tool to promote worker empowerment as well as worker protection.

Such laws may cover :

- **Health and safety -** working conditions, safety gear, temperature etc.
- **Laws against discrimination** - gender, age, race etc.
- **Trade unions** - whether its your legal right to form/join one (depends on the country)
- **Laws on working hours** - should there a maximum amount of hours a business can make a person work?
- **Minimum working wage** - to ensure that employees are being paid enough to live
- **Unfair dismissals** - not allowing businesses to fire employees over discrimination

Workforce planning

The establishing of the workforce needed by the business for the foreseeable future in terms of the number and skills of employees required. Workforce planning is important as It helps prepare for future challenges and reduce costs.

Examples of workforce planning :

- Recruiting employees - who is the most qualified and best fit?
- Training employees - who has the most potential?
- Reducing the workforce - in the case of redundancies needing to be made, who should be let go?

Trade unions

Trade Unions are organisations of workers that aim at promoting and protecting the interest of their members (workers). They aim to improve wage rates, working conditions and other job-related aspects. Joining a union may require a yearly fee.

People are less likely to join/make a trade union when unemployment is high – as there are few alternative jobs for workers to take. It's easier for trade unions to bargain when the business is very busy, they're more likely to agree to demands as they won't want to disrupt production.

The functions of a trade union :

- **Negotiating improvements** in non-wage benefits with employers - healthcare etc.
- **Defending employees' rights** - ensuring no employees are taken advantage of

- ★ **Improving working conditions** - such as better working hours and safety measures
- ★ I**mproving pay and other benefits**
- ★ **Supporting workers who have been unfairly dismissed** - helping pay legal fees
- ★ **Developing the skills of members**, by providing training and education
- ★ **Providing recreational activities** for the members
- ★ **Taking industrial actions** (strikes, overtime ban etc.) to pressure employers into meeting certain demands

Employers' attitude to trade unions

Many employers prefer to negotiate with individual workers and not to be pressured, through *collective bargaining*, into paying higher wages or making other improvements to terms of employment. This will all increase costs, thus reducing profits. So most major corporations will be opposed to their employees unionising. Although they will be careful not to express this publicly, to avoid bad publicity.

There are however, some benefits to employers of trade unions :

✔ Able to negotiate with one body rather than many people, good channel of communication to save time
✔ Unions can help impose discipline on members
✔ Good relationships between trade unions and employers can bring many benefits for the business - less strikes, better publicity etc.

Additional info :

Trade union recognition : when an employer formally agrees to conduct negotiations on pay and working conditions with a trade union rather than bargain individually with each worker

Single union agreement : an agreement between a company and its employees that states that the company will discuss pay, working conditions, etc. with only *one* trade union

No-strike agreement : When unions agree to sort problems out with the company without resorting to strikes. This helps prevent bad publicity / maintain a good brand image

Industrial action : measures taken by the workforce or trade union to put pressure on management to meet their demands - for example workers may opt to only do the bare minimum of work required by their contract, no additional work until management agrees

Collective bargaining : the process in which working people, through their unions, negotiate contracts with their employers to determine their terms of employment